

Class XII Session 2025-26

Subject - Economics

Sample Question Paper - 9

Time Allowed: 3 hours

Maximum Marks: 80

General Instructions:

1. This question paper contains two sections:
Section A – Macro Economics
Section B – Indian Economic Development
2. This paper contains 20 Multiple Choice Questions type questions of 1 mark each.
3. This paper contains 4 Short Answer Questions type questions of 3 marks each to be answered in 60 to 80 words.
4. This paper contains 6 Short Answer Questions type questions of 4 marks each to be answered in 80 to 100 words.
5. This paper contains 4 Long Answer Questions type questions of 6 marks each to be answered in 100 to 150 words.

SECTION A MACRO ECONOMICS

1. **Statement 1:** Export of financial services by India will be recorded on credit side of current account. [1]
Statement 2: Foreign Direct Investments in India will be recorded on credit side of capital account.
a) Statement 2 is true and Statement 1 is false. b) Statement 1 is true and Statement 2 is false.
c) Both the Statements are false. d) Both the Statements are true.
2. Which of the following is not a problem of barter system of exchange? [1]
a) Double Coincidence of Wants b) Store of Value
c) Unit of Account d) Unemployment
3. As National Income increases, APC _____ while APS _____. [1]
a) Rises, Falls b) Rises, does not change
c) Does not change, Fall d) Falls, Rises
4. Due to fall in the value of Indian currency (₹) in the foreign exchange market, the Reserve Bank of India decides [1]
to buy Indian currency (₹).
This type of action by the Central Bank is possible under _____ exchange rate system.
a) Fixed b) Managed floating
c) Fixed floating d) Flexible
5. Total consumption expenditure by households under Keynesian Economics is a combination of _____ and [1]
_____.
a) Autonomous Consumption, Induced b) Autonomous Investments, Induced
Consumption Consumption
c) Autonomous Consumption, Autonomous d) Induced Investments, Autonomous

Investments

-
- ```
graph TD; A[Imports cheaper] --> B[Increased quantity of imports]; C[Exports more expensive] --> D[Decreased quantity of exports]; B --> E[Current account deteriorates]; D --> E; D --> F[Aggregate demand AD falls]; F --> G[Economic growth slows down]; F --> H[Inflation - lower]; H --> A;
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OR

| Particulars                       | ₹ in crore |
|-----------------------------------|------------|
| (i) GNP at MP                     | 4,500      |
| (ii) replacement of Fixed Capital | 100        |
| (iii) Indirect Taxes              | 300        |
| (iv) Subsidies                    | 200        |
| (v) Factor Income from abroad     | 700        |
| (vi) NDP at FC                    | 3,900      |

- If the situation of deficient demand is prevailing in the economy, what will be the impact of this action taken by

the Government?

14. Giving valid reasons explain, which of the following will not be included in the estimation of National Income in India? [4]
- Purchase of shares by an investor in the Bombay Stock Exchange.
  - Salaries paid to Russians working in Indian Embassy in Russia.
  - Imputed rent of self-occupied houses.

OR

Mention the situations in which following equations will hold true:

- Value of Output is equal to Value Added.
  - National income at Current Price = National income at Constant Price
  - Gross domestic capital formation = Gross domestic fixed capital formation
  - Operating Surplus = Rent + Royalty + Profit
15. To boost the falling demand in the economy, the Reserve Bank of India recently reduced the Bank Rate. Elaborate the rationale behind the steps taken by the Central Bank. [4]
16. From the following data about a government budget find: [6]
- Revenue deficit
  - Gross Fiscal deficit
  - Gross Primary deficit

| S. No. | Items                                                       | (₹ in crore) |
|--------|-------------------------------------------------------------|--------------|
| (i)    | Tax revenue                                                 | 1037         |
| (ii)   | Revenue expenditure                                         | 2811         |
| (iii)  | Interest receipts by the government on net domestic lending | 400          |
| (iv)   | Dividends and profits on investments                        | 600          |
| (v)    | Recovery of loans                                           | 135          |
| (vi)   | Capital expenditure                                         | 574          |
| (vii)  | Proceeds from sale of shares in PSUs                        | 100          |
| (viii) | Interest payments on accumulated debts                      | 1013         |

OR

The Government, under Ujjwala Yojana, is providing free LPG kitchen gas connections to the families **below the poverty line**. What objective the government is trying to fulfill through the government budget and how? Explain.

17. Answer (A) or (B): [6]
- What is the relationship between APC and APS? Can value of APS be negative? If yes, when? [3]
    - Find 'investment' from the following [3]  
National Income = Rs. 500  
Autonomous consumption = Rs.100  
Marginal Propensity to Consume = 0.75
  - In a hypothetical economy, planned savings fall short of planned investments, leading to fall in employment and incomes. [4]

ii. What is the value of multiplier when marginal propensity to save is zero? [2]

18. During colonial period, estimates of \_\_\_\_\_ on national income and per capita income were considered very significant. **[1]**

19. India is **not** a member of which of the following regional/global economic groups? [1]

20. In order to reduce over-dependence on agriculture sector, it is necessary to opt for diversification. [1]

- i. Change in cropping pattern
- ii. Shift of workforce to agriculture allied activities
- iii. Shift of workforce to non-agriculture sector

21. Under which system people below the poverty line (BPL) could get essential goods at low subsidised rates: [1]



22. **Assertion (A):** World Trade Organisation (WTO) established in 1995, as a successor organisation to General Agreement on Trade and Tariff (GATT). **[1]**

23. To provide the educational facilities to the children of transferable central government employees \_\_\_\_\_ **[1]**  
were established.

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c) Kendriya Vidyalayas

d) Army Public School

24. India and China are member countries of \_\_\_\_\_ and Pakistan is a member country of \_\_\_\_\_. [1]

a) G-20, SAARC

b) G-20, BRICS

c) BRICS, G-20

d) SAARC, G-20

25. The black soil of the Deccan Plateau is particularly suitable for cultivation of \_\_\_\_\_. [1]

a) Cotton

b) Maize

c) Jute

d) Textile

26. **Statement I:** More than Half of India's Foreign trade was restricted to Britain. [1]

**Statement II:** Britain maintained Monopoly control on India's Import and Export.

a) Both the statements are false.

b) Statement I is true, but statement II is false.

c) Statement II is true, but statement I is false

d) Both the statements are true.

27. Match the objective of five year plans [1]

|                        |                       |
|------------------------|-----------------------|
| a.Fifth five year plan | i)NABARD              |
| b.Sixth five year plan | ii)Harrod Domar model |
| c.First five year plan | iii)Eliminate poverty |

a) a (i), b (ii), c (iii)

b) a (iii), b (i), c (ii)

c) a (ii), b (iii), c (i)

d) a (iii), b( ii), c (i)

28. Interpret the situation of earth as depicted in the given picture, with reference to current environmental challenges: [3]



OR

Is environmental crisis a recent phenomenon? If so, why?

29. In rural areas of india, more members of a family are engaged in work, yet the gross income of the family is generally low. Identify the type of unemployment indicated in the above statement and explain the paradox associated with it. [3]

30. Modernisation as a planning objective shows a dichotomy with employment generation. Justify the statement. [4]

31. Appraise the developmental journey of India since 1947. [4]

OR

Based on the given data, compare any two parameters for the economies of India and China:

| S.No. | Items                                 | India | China |
|-------|---------------------------------------|-------|-------|
| (i)   | Human Development Index (HDI) (Value) | 0.609 | 0.727 |
| (ii)  | HDI (Rank)                            | 130   | 90    |
|       |                                       |       |       |

|       |                                     |       |        |
|-------|-------------------------------------|-------|--------|
| (iii) | Life Expectancy at Birth (in years) | 68.2  | 75.8   |
| (iv)  | GDP per capita (PPP \$ US)          | 5,730 | 13,572 |

**Source:** HDI Report 2014 & WDI

32. How does investment in human capital contribute to growth? [4]

33. Read the following text carefully and answer the given questions on the basis of the same and common understanding. [6]

The stabilisation and structural adjustment measures, initiated under the 1991 “Economic Reforms” mark a watershed moment in India’s economic policies. For almost three decades since independence, India’s development strategy and economic policies were guided by the objectives of accelerating the growth of output and employment with social justice and equity.

Ever since the 1970’s, it was realised that many of the regulations on economic activities have outlived their usefulness and were in fact hampering economic growth and development. In response to this, the government initiated some milder liberalisation reforms for almost a decade since the early 1980’s.

However, the Indian economy soon had to face the Gulf crisis and consequently:

- i. The uncertainties about the oil prices;
- ii. The external payment problems;
- iii. The serious inflationary pressures;
- iv. The scarcities of essential commodities;
- v. The deterioration of fiscal discipline, etc.

These led to the Indian economy on the verge of Economic crisis.

In response to this emerging crisis, the Government initiated a set of stabilisation and structural reforms like:

- i. Reduction in fiscal deficit;
- ii. Containment of growth in money supply;
- iii. An exchange rate adjustment system etc.

The key objective of stabilisation policy was to bring the growth of aggregate demand in line with long term growth path of the economy.

In conjunction, the structural adjustment measures like;

- i. industrial delicensing
- ii. liberalisation of policy regime governing international trade
- iii. deregulation of financial sector

Were taken to improve the supply side of the economy. This shifted the long-term growth path of the economy itself completely.

(Adapted and modified)

**Source:**

<https://niti.gov.in/planningcommission.gov.in/docs/reports/genrep/arep9099/at94-95.htm>

- a. Discuss any two reasons behind the introduction of Economic Reforms in 1991. (3)
- b. In response to the emerging crisis in 1991, the Government initiated a set of stabilisation and structural reforms.

Briefly discuss any three of such measures. (3)

OR

Briefly discuss the various development strategies pursued by China.

34. **Answer (A) or (B)** [6]
- (a) i. a. State any two advantages of micro-credit system in rural areas of India. [4]  
b. In the current situation, Information Technology plays a vital role in achieving food security in a nation like India.  
Justify the given statement.
- ii. What is the support price? [2]
- (b) i. Why is it being considered necessary to replace the private moneylenders by institutional sources of credit? [3]
- ii. Explain any two objectives behind providing more and more institutional credit to farmers [3]

# Solution

## SECTION A MACRO ECONOMICS

1. **(d)** Both the Statements are true.  
**Explanation:**  
Both the Statements are true.
2. **(d)** Unemployment  
**Explanation:**  
Unemployment
3. **(d)** Falls, Rises  
**Explanation:**  
Falls, Rises
4. **(b)** Managed floating  
**Explanation:**  
Managed floating
5. **(a)** Autonomous Consumption, Induced Consumption  
**Explanation:**  
Autonomous Consumption, Induced Consumption
6. **(b)** Government of India  
**Explanation:**  
Government of India
7. **(a)**  $C + I$   
**Explanation:**  
 $AD = C + I$
8. **(a)** Capital formation  
**Explanation:**  
Change in the stock of capital is called capital formation. It refers to total production of capital goods during an accounting year.
9. **(a)** saving account deposits and current account deposits  
**Explanation:**  
saving account deposits and current account deposits ( Demand deposits that can we withdrawn any time through saving account or current account)
10. **(c)** Appreciation  
**Explanation:**  
The increase in the value of the domestic currency in relation to foreign currency due to fluctuations in the foreign exchange rate is called appreciation.



$$11. \text{ Real national income} = \frac{\text{Nominal national income}}{\text{price index}} \times 100$$

$$\text{Real national income} = \frac{500}{125} \times 100 = 400$$

OR

GNP at MP = NDP at FC + Replacement of Fixed Capital + (Factor Income from abroad - Factor Income to abroad) + (Indirect Taxes - Subsidies)

$$4,500 = 3,900 + 100 + (700 - \text{Factor Income to abroad}) + (300 - 200)$$

$$\text{Factor Income to abroad} = 3,900 + 100 + 700 + (300 - 200) - 4,500 = ₹ 300 \text{ crores}$$

$$\text{Factor Income to abroad} = ₹ 300 \text{ crores.}$$

12. Disequilibrium in BOP of a country may be either in the form of a deficit or surplus. When the receipts of the country on account of autonomous transactions are less than the payments of the country on account of autonomous transactions, then this difference is termed as a deficit in balance of payments. So, BoP deficit =  $R < P$ , where R = Receipts of the country and P = Payments of the country. e.g. If the receipts of the country are Rs. 200 crore and the payments are Rs. 250 crore, then BoP deficit will be 50 (250-200) crores. Unfavourable Balance of Payment cannot be met out of favourable Balance of Trade. Deficit in balance of payments may be caused due to economic factors, political factors or social factors.
13. The increase in the exemption limit from 2 lakh to 2.5 lakh will help to correct the situation of insufficient demand or deficient demand. It will increase disposable income, causing them to increase spending and as a result, demand will rise. As a result, the government's action to correct deficient demand is commendable.
14. a. The purchase of new shares is not included in the national income. Because such transactions are mere paper claims and do not lead to any value addition.  
 b. Salaries paid to Russians working in Indian embassy in Russia will not be included in estimation of national income of India, as it is a factor income to abroad.  
 c. Imputed rent of self occupied houses is included in the national income, because all houses have rental value, no matter whether these are rented out or self occupied.

OR

- i. When intermediate consumption is zero.  
 ii. When Price in the base year = Price in the current year.  
 iii. When change in stock (or inventory investment) is zero.  
 iv. When there is no income in the form of interest.
15. Repo rate is the rate at which Reserve Bank of India lends funds to the commercial banks by buying the government securities in the open market for a short period of time. A decline in repo rate may induce commercial banks to reduce lending rates. This may encourage demand for loans in the market-leading to greater funds at the disposal of the general public. This may lead to the creation of higher Aggregate Demand in the economy.
16. a. Revenue deficit = Revenue expenditure - Revenue receipts =  $2811 - 2037 = ₹ 774 \text{ crore}$   
 $= 1037 + (400 + 600) = ₹ 2037 \text{ crore}$   
 b. Gross Fiscal deficit = Total expenditure - Total receipts excluding borrowings  
 $= (\text{Revenue expenditure} + \text{Capital expenditure}) - (\text{Revenue receipts} + \text{Non-debt capital receipts})$   
 $= (2811 + 574) - (2037 + 235) = 3385 - 2272 = ₹ 1113 \text{ crore}$   
**Note:** Non-debt creating capital receipts = (vii) + (v) =  $100 + 135 = ₹ 235 \text{ crore}$   
 c. Gross Primary deficit = Gross Fiscal deficit - Net interest payments (viii - iii) =  $1113 - (1,013 - 400) = ₹ 500 \text{ crore}$

OR

By providing free LPG kitchen gas connections to the families 'below the poverty line', the objective which the government is trying to fulfill is 'Reduction in inequalities of income and wealth.'

Inequalities of income and wealth reflect a section of the society being deprived of even basic necessities of life like food, clothing and housing. Thus arises the need for reducing inequalities of incomes in the society, i.e., reducing the gap between rich and poor. The government can impose higher taxes on the rich reducing their disposable income. It can provide them transfer payments and subsidies. Increased expenditure by the government on such transfer payments and subsidies will have twin effects: First, it will increase their disposable income and thus will reduce the income inequalities, i.e., the gap between rich and poor. Secondly, spending on free services to the poor raises their standard of living and thus increases their welfare.

17. Answer (A) or (B):

- (i) i. Average propensity to consume (APC) refers to the ratio of aggregate consumption expenditure to aggregate income.  
 Thus,

$$APC = \frac{\text{Consumption (C)}}{\text{Income (Y)}}$$

Average propensity to save (APS) refers to the ratio of savings to aggregate income. Thus,

$$APS = \frac{\text{Savings (S)}}{\text{Income (Y)}}$$

The sum of average propensity to consume (APC) and average propensity to save (APS) is always one. Thus,

$$APC + APS = 1$$

The value of APS can be negative when consumption (APC) is more than the income. For example, if income is ₹ 1,000 and consumption is ₹ 1,200, savings will be ₹ (-) 200. As a result, APS will be (-) 0.2.

ii. National Income (Y) = Rs. 500;

Autonomous consumption  $\bar{C}$  = Rs.100

MPC (b) = 0.75  $Y = C + bY + I$  (Investment)

or  $Y - \bar{C} - bY = I$

or  $500 - 100 - 0.75(500) = I$

or  $400 - 375 = I$

or  $I = \text{Rs. } 25$

(It is assumed that economy is in equilibrium).

(ii) i. **NO, this statement is not true.**

**Reason:-** It implies buyers are planning to buy more goods than producers are planning to produce (i.e.  $AD > Y$ ).

Thus, the inventories in hand with the producers will start falling (i.e. unplanned decumulation of inventories). As a result, producers will plan to raise the production. This will increase planned output and income. The process continues till planned output produced in the economy becomes equal to the planned demand, i.e. planned investment becomes equal to planned savings and the economy achieves the equilibrium level of national income.

ii.  $K = \frac{1}{MPS}$

$K = \frac{1}{0} = \text{infinity}$

## SECTION B INDIAN ECONOMIC DEVELOPMENT

18.

(c) VKRV Rao

**Explanation:**

VKRV Rao

19.

(b) G-7

**Explanation:**

G-7

20.

(b) (i), (ii) and (iii)

**Explanation:**

(i), (ii) and (iii)

21.

(c) Public distribution system

**Explanation:**

PDS implies distribution of food grains through fair price shops at subsidised rates.

22.

(b) Both A and R are true but R is not the correct explanation of A.

**Explanation:**

Both A and R are true but R is not the correct explanation of A.

23. **(c) Kendriya Vidyalayas**  
**Explanation:**  
 The Kendriya Vidyalayas were established to cater to the educational needs of transferrable Central Government employees including Defence and Para-military personnel by providing a common program of education.
24. **(a) G-20, SAARC**  
**Explanation:**  
 G-20, SAARC
25. **(a) Cotton**  
**Explanation:**  
 The black soil of the Deccan Plateau is particularly suitable for cultivation of cotton, leading to concentration of textile industries in this region.
26. **(d) Both the statements are true.**  
**Explanation:**  
 Both the statements are true.
27. **(b) a (iii), b (i), c (ii)**  
**Explanation:**  
 Eliminate poverty was one of the objectives of fifth five year plan, NABARD was introduced in sixth five year plan, Harrod Domar model was used in first five year plan.
28. The given image depicts the environmental challenge of 'Global Warming'. Global warming is a gradual increase in the average temperature of the earth's lower atmosphere. It is caused by increases in carbon dioxide and other greenhouse gases. Burning of fossil fuels and deforestation are the major causes of Global Warming. Global warming is responsible for melting of polar ice, leading to rise in sea level and coastal flooding etc.
- OR
- Yes, the environmental crisis is a very recent phenomenon. The sparks of such crisis were never visible in the past. In recent years, the population has increased. It has increased demand for natural resources while the supply of natural resources is fixed. It creates excess demand and exerts pressure on natural resources. Consequently, the mounting pressure on the carrying capacity of the environment is paving the way for environmental crises.
29. Disguised unemployment is indicated in the given statement. Generally, in rural India more than required number of people are employed on a particular task without contributing to the aggregate output.  
 Hence, marginal productivity of labour turns out to be zero. Consequently, gross income of the family is lower than expected.
30. The given statement is appropriate. Modernisation implies use of advanced technology to enhance productivity at a faster pace. With application of modern technology, higher output is obtained at a relatively lower cost. However, in a labour abundant country like India modernisation may lead to an increase in unemployment as modern technology requires lesser labour per unit of output. it makes india's GDP grow without creating enough employment. which create a situation of jobless growth.
31. Indian economy envisaged a mixed economy framework, with the coexistence of public and private sector. The progress during the first seven five-year plans was reasonable. Owing to the Green Revolution, India achieved self-sufficiency in food grain production. Moreover, the industrial sector became well diversified with a dominant public sector. it helps them in the removal of infrastructure deficiency in the country all development are done through the public sector .  
 Post 1991, with the introduction of economic reforms and the opening up of the Indian economy, the industrial and tertiary sectors witnessed remarkable growth. Hence, the developmental journey of India post-independence changed the structure of the Indian economy drastically.
- OR
- In the year 2014, the HDI of India and China was estimated to 0.609 and 0.727 respectively. Higher the HDI rank of China is largely due to higher gross national income per capita. In the year 2014, China's gross national income per capita (PPP US \$) was estimated to be US \$ 13,572, while it was merely US \$ 5,730 for India.  
 Besides gross national income per capita, China has a higher life expectancy than India with 75.8 and India has 68.2.

32. Human capital and economic growth goes hand- in-hand. Human capital formation accelerates the economic growth whereas economic growth in turn facilitates human capital formation. The inter-relationship between economic growth and human capital formation can be explained as follows:

**i. Increases the productivity of physical capital:**

Physical capital refers to the stock of produced means of production. It consists of production plants, machines, tools and equipments. The skilled workers handle the productive assets in such a manner that these not only enhance their productivity but also lead to an efficient utilization of the physical capital. When the productivity increases, the pace of growth is automatically accelerated.

**ii. Innovation of skills :**

An educated person is more productive and skillful. He has the potential to develop new skills and innovate new techniques that can be more efficient and productive. Greater the number of skilled and trained personnel, greater will be probabilities of innovations.

**iii. High participation rate and equality:** Human capital endowed with higher technical skills and innovating power is more productive and efficient. This increases the participation of more people in the process of economic growth and development. Higher the participation rate, higher is the degree of social and economic equality.

Thus, we can conclude that human capital and economic growth goes hand-in-hand. Human capital formation accelerates the economic growth whereas economic growth also facilitates human capital formation.

33. a. Two reasons for the introduction of economic reforms were:

- Mounting fiscal deficit: In the late 1980s the government expenditure began to exceed its revenue by large margins. The magnitude of these deficits created borrowing pressure on the economy.
- High rate of inflation: The Gulf Crisis led to the rise in the crude oil prices which further aggravated the inflationary pressures on the economy.

b. In response to the economic crisis, Government of India initiated a set of stabilization and structural reforms such as:

- Adjustment in exchange rate system: Under this the Indian rupee was devalued to allow higher inflows of foreign exchange.
- Industrial delicensing: It helped to improve the efficiency of the economy and increased international competitiveness of Indian goods.
- Liberalization of international trade: This led to inflow of modern technology and augmentation of industrial production and productivity.

OR

After the establishment of People's Republic of China under one party rule, all the critical sectors of the economy, enterprises and lands owned and operated by individuals were brought under government control.

Certain development strategies of China are discussed below:

- Great Leap Forward (GLF) This campaign initiated in 1958 aimed at industrialising the country on a massive scale. People were encouraged to set up industries in their backyards. In rural areas, communes were started. Under the commune system, people collectively cultivated lands.
- Great Proletarian Cultural Revolution (1966-76) In 1965, Mao Tse Tung started a cultural revolution on a large scale. In this revolution, students and professionals were sent to work and learn from the country side. Unlike GLF, the cultural revolution did not have an explicit economic rationale.
- 1978 Reforms Since 1978, China began to introduce many reforms in phases. The reforms were initiated in agriculture, foreign trade and investment sector. In agriculture, lands were divided into small plots which were allocated to individual households. They were allowed to keep all income from the land after paying taxes. In later phase, reforms were initiated in industrial sector. All enterprises which were owned and operated by local collectives in particular, were allowed to produce goods.

34. Answer (A) or (B)

(i) a. Two advantages of micro-credit system of financing in rural areas of India are:

- Women empowerment
- Easy availability of credit

b. In India, Information Technology (IT) plays a crucial role as government can predict areas of food insecurity and vulnerability using appropriate information and software tools. It helps in disseminating information regarding emerging technologies and their applications, prices, weather and soil conditions for growing different crops etc. Hence, IT plays a vital role in achieving sustainable development and food security in a nation like India.

- ii. The support price is a guaranteed minimum price at which government procures (purchases) the specified goods from the farmers.
- (ii) i. It has been considered necessary to replace the private moneylenders by institutional sources of credit because:
  - i. The supply of credit was irregular and depended largely on personal relations between the borrower and the lender.
  - ii. Since the borrower was generally illiterate, the moneylender often resorted to downright cheating such as failure to record the repayments in full.
  - iii. The moneylenders often took advantage of the ignorance and helplessness of the cultivator to exploit him.
  - iv. The landless tenants and farm workers, who had no land to offer as security, found it difficult to borrow. The loans were available on very difficult terms, and the borrowers were often burdened with permanent debt.
- ii.
  - To provide adequate credit to farmers at a cheaper interest rate.
  - To assist small and marginal farmers in raising their agricultural productivity and maximising their income.